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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING



ISMAEL AHMED
DIRECTOR

December 4, 2008

The Honorable Bill Hardiman, Chair
Senate Appropriations Subcommittee on DHS
Michigan State Senate
State Capitol
Lansing Michigan 48933

The Honorable Dudley Spade, Chair
House Appropriations Subcommittee on DHS
Michigan House of Representatives
Lansing, Michigan 48933

Dear Senator Hardiman and Representative Spade:

Section 285 of 2007 Public Act No. 131 (Enrolled Senate Bill No. 232) requires the Department of Human Services to report the on implementation of continuous improvement efficiency mechanisms in the programs administered by the department. Our second report for Fiscal Year 2008 is attached.

If you have any questions, please contact John Sorbet, chief administrative officer, at 373-7787.

Sincerely,

Ismael Ahmed

c: Senate and House Appropriations Subcommittees
Senate and House Standing Committees on Human Services
Senate and House Fiscal Agencies
Senate and House Policy Offices
State Budget Director

Office: Bureau of Juvenile Justice

Program Review Process	Improvement Mechanisms Implemented	Actual Savings	Projected Savings
Pine Lodge administration and staff reviewed use of overtime at the Community Justice Center and resolved to decrease overtime for fiscal year 2008-2009.	The part time intermittent staff position will be used to cover last minute call-ins and vacation schedules. Single staff coverage will be approved if conditions in the house are stable.	Estimated savings at approximately \$9000.00.	These savings will be realized annually if staff continues to be utilized as designated.
Child Care Fund Unit - Review involves surveying staff and customers to find where services are duplicated, time consuming or unnecessary. Checking travel budget. Monitoring budgets and expenditures of counties to identify effective programs which are alternatives to out of home placements.	1. Automated the annual plan and budget application and approval process. 2. Automated monthly expenditure report submission. 3. Geographic clustering of counties. Positioned staff in the UP to serve the UP. 4. Services/program directory offers recommendations and/or suggestions for effective programs.	1. Allows staff to concentrate on on-site reviews and program evaluation (App. 1 staff person). 2. Reduces time of supervisor to provide accurate reports to budget office. (4 hours per month) 3. Reduces travel in many instances (50 overnight stays and mileage). 4. Allows greater knowledge of specialists and customers about current working programs to reduce out of home costs (avg. \$70/ day of reduced days in out of home placement for new programs).	1. \$75,000/year. 2. \$2,000/year. 3. \$15,000/year. 4. Average year sees 10-20 new in-home care components. Usually cost savings of \$50,000 per program according to court reports (total \$500,000 to \$1 million). Hard to know how much is a result of added specialist knowledge.
Regional Detention Support Unit - Review involves surveying staff and customers to find where services are duplicated, time consuming or unnecessary. Finding areas to spread costs.	1. Implemented contract process with counties which they assume payment processing duties for the attendants. 2. Reduced hours of availability at no disruption of service to allow staff to concentrate on necessary administrative duties.	1 and 2. Allowed for the reduction of one staff position. 2. Reduces travel in many instances (50 overnight stays and mileage).	1. \$75,000/year. 2. \$75,000/year.

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	<p>3. In-house training.</p> <p>4. Eliminated state paid tollfree number for counties.</p>	<p>3. Began using state trainers to conduct new worker training which reduced the need for an outside contracted training agency.</p> <p>4. Ceased paying for a tollfree number for counties.</p>	<p>3. \$10,000/year.</p> <p>4. \$5,000/year.</p>
<p>Central Office - The Bureau of Juvenile Justice, in accordance with requirements to review residential security levels, reviewed policies and procedures to classify all BJJ facilities as high secure.</p> <p>BJJ, in accordance with FY 2008 budget allocations which reduced central office staffing by 50%, needed to review management structures and staffing efficiencies.</p> <p>BJJ Quality Assurance Unit noted need for BJJ facility's Standard Operating Procedure to correspond with BJJ Residential Policy Manual.</p> <p>BJJ budget review identified the high cost of contractual repairs at community justice centers.</p>	<p>Policies were re-written and security levels were redefined. Subsequently, all lower security youths have been moved to private providers at much lower cost.</p> <p>Staffs were moved into vacant positions with similar responsibilities thereby reducing FTEs without reducing service (i.e., BJJ trainers to Child Welfare Institute) and units were combined within single management structure.</p> <p>Standardized facility procedures.</p> <p>Maxey Maintenance staff agreed to travel to Community Justice Center locations and provide necessary repairs.</p>	<p>Actual FY 2008 savings can be estimated by the movement of 80 beds from Maxey @ over \$500 per day into private facilities at approx \$275 per day. Annualized savings is estimated at about \$6 million.</p> <p>Savings will be the difference in BJJ central office budget appropriation of \$2.7 million. Savings were dictated but efficiencies were subsequently planned.</p> <p>BJJ cost savings total approximately \$20,000/year.</p>	<p>This savings will be annually as long as newly realized allocated bed space remains as it is.</p> <p>Future year savings will also be \$2.7million.</p> <p>Reduces expenditures for training.</p> <p>Savings from reduction of contractor's cost would be \$20,000 annually.</p>
<p>Central Office - Inventoried hardware for entire Bureau of Juvenile Justice operations.</p>	<p>All obsolete GX110 computers identified, moved to DIT warehouse and removed from DHS networks. Identified areas where hardware for staff had to be upgraded to support DIT M1 initiative/rollout.</p>	<p>Removal of the identified networked machines will save the bureau \$855/machine annually. No savings in FY 2008, but the new hardware was not replaced on a one for one basis, but instead only in key areas</p>	<p>Removed 385 old GX 110 or older machines for a net projected savings of \$329, 200. Anticipated annual costs for the 110 new pieces of equipment will be \$94,100.</p>

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Centralized hardware/software purchases.	<p>Identified BJJ printers that are starting to exceed the DIT supported warranties and cannot be repaired when they break nor can they be replaced.</p> <p>Allows review of purchases to ensure that all the signatures are correct before forwarding, and software requests will run on existing hardware.</p>	<p>and for anticipated downsized staffing. Identified Ricoh machines that the leases could be upgraded to become multifunctional to add scan, fax and print capabilities to the copy function. Up to 25 staff can be added to one machine.</p> <p>Central point of contact to work with Purchasing and Project Financing.</p>	<p>Annual lease costs are anticipated to be less than the cost of new replacement printer costs. Moving staff to Ricoh machines saves the bureau toner costs.</p> <p>Stops redundant and unnecessary education software purchases that will not run on existing hardware saving approximately \$60,000 per year.</p>
<p>Parmenter House - Hired three (3) non-state employees on an on-call status to provide transportation for home visits for residents.</p> <p>Hired one (1) non-state employee to provide supervision of the Civil War cemetery project. Thus providing a balanced and restorative justice (BARJ) worksite for our residents.</p> <p>Wages are paid through a local private charitable organization.</p>	<p>Decreased the amount of overtime needed to pay staff to provide this service (transportation and supervision of a BARJ worksite).</p> <p>Decreased the amount of money residents had to pay out of their earnings to pay for bus fares.</p> <p>Allowed for a BARJ worksite for residents to work toward their mandatory forty (40) hours of community service.</p>	<p>Allows staff more flexibility to work double coverage when needed.</p> <p>Allows for more hands on supervision in the facility for counseling, meetings, physical job duties, etc.</p>	<p>\$18 per hour less by using non-state employees rather than paying overtime to youth specialist. We transport almost every weekend to somewhere statewide.</p> <p>Approximately yearly savings of \$4,000 per year for transportation.</p> <p>Approximately \$3,000 per year for the worksite supervision.</p>
Adrian Training School - In light of a significant drop in population to an average of 30 – 35 residents, underwent a review of current staffing patterns that were based on a higher population.	<p>The Adrian Training School underwent a reduction of force of 11 occupied positions in July 2008.</p> <p>The Adrian Training School began a process of not replacing employees who decided to leave our employment. ATS has only replaced one critical employee since April 2008. This has resulted in a reduction of 12 youth specialists, one clinical social worker, three shift supervisors, two program managers and one maintenance mechanic.</p>	<p>Actual FY 2008 savings were approximately \$138,446 as there were only two months left in the fiscal year at the time of the reduction in force.</p> <p>Actual FY 2008 savings were approximately \$424,712 through attrition.</p>	<p>Projected savings are \$830,677 per year and will remain in place as long as the population at ATS remains at the 30 -35 resident level.</p> <p>Projected savings are \$1,418,970 per year and will remain in place as long as the population at ATS remains at the 30 – 35 resident level.</p>

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<p>The Adrian Training School, in light of an increase in overtime costs and an increasing reliance on mandatory overtime, undertook an examination of the various programs we were attempting to maintain.</p>	<p>In early September 2008, the Adrian Training School consolidated two of its living units, South Hall Cottage and West Hall Cottage, into one living unit, West Hall Cottage which resulted in fewer shifts that needed to be staffed.</p>	<p>Due to the reorganization taking place during the last month of the fiscal year, there were no direct savings during FY 2008.</p>	<p>Overtime expenditures at the Adrian Training School for the month of October 08 dropped 41 percent from the expenditures for the same month in October 2007. Should this trend continue, and there is no expectation that it will not, average annual savings will be approximately \$450,000 annually and will continue as long as the population at ATS remains at the 30 -35 resident level.</p>
<p>The Adrian Training School, in light of an excessive number of employees on extended medical and stress leaves, examined what could be done to reduce the amount of time individual employees spent on extended medical leaves.</p>	<p>The Adrian Training School began an aggressive program of requesting independent medical exams through our Central Office and the LTD insurance carrier.</p>	<p>It is difficult to estimate the savings that were realized in FY 2008 due to these actions, but we believe these actions have had a significant impact on returning several of our employees back to work earlier.</p>	<p>Again, it is difficult to assign a dollar figure to this initiative.</p>
<p>Maxey Training School - Maxey in accordance with FY 2008 budget allocations which reduced staffing and client population, reviewed management structures and staffing patterns.</p>	<p>Staffing reductions, reorganization of staffing pool, case manager caseload and management structure.</p>	<p>Staff payroll was reduced by more than \$4 million from \$19,216,381 to \$15,142,198.</p>	<p>This savings will be realized annually as long as population numbers remain stable.</p>
<p>Monthly budget meetings identified a high level of spending for prescribed medications, particularly psychotropics.</p>	<p>Consultation with medical staff and psychiatrists was held and recommendations made on ways to select equally effective substitutes and generic brands wherever possible.</p>	<p>Annual prescription costs were reduced by \$20,000.</p>	<p>Future annual cost savings are projected to be as high as \$80,000.</p>
<p>Maxey Training School - Monthly budget meetings identified the level of overtime use by direct care staff to communicate necessary information to oncoming shift.</p>	<p>School and staffing daily schedules were adjusted to create opportunity for shift exchange information while nearly eliminating relief overtime costs.</p>	<p>Overtime expenditures were reduced by \$6,300.</p>	<p>This savings will be realized annually.</p>

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Maxey Training School - Monthly budget meetings identified the high level of expenditures related to electronic equipment and telephone system repairs orders.	Staff members Keith LaSalle and Walter Easley agreed to provide all repairs which they were capable of during regular work hours and supplemental overtime. This allowed for non-renewal of the TSI maintenance service contract.	Savings from avoiding contractual repair expenditures from telephone and security work was \$40,000.	Savings from telephone and security repair work by Maxey staff vs. vendor would be \$40,000 annually. Savings from TSI maintenance contract is \$105,948.
Maxey Training School - Analysis of infrastructure needs and costs identified potential savings in copier leases, vehicle leases, and utilities, etc.	Copier leases were reduced in half, vehicle leases by three, and utility costs for sewage usage was halved.	Savings from copier lease and vehicle leases was \$5,000.	Savings from these areas plus sewage cost reduction would be \$100,000 annually.
Nokomis Challenge Center - Review involving energy use in out buildings and gymnasium. Review of kitchen purchasing practices.	Heat was turned down 20 degrees to 45 degrees in the garage housing the state vehicles. The heat was turned down by 5 degrees in the gymnasium to 64 degrees. Generic food products were used as replacements for brand name commodities.	Actual FY 2008 savings can be estimated by determining the average amount of liquid propane (LP) gas orders for the past 3 years while factoring the additional cost of the fuel price. The annualized savings is estimated at \$5,000. Actual FY 2008 savings can be estimated at \$3,000.	Projected savings will be based on the future cost of LP gas. Estimated savings will be \$5,000. Projected savings based on increased cost of food is \$4,000.00 for FY 2009.
Bay Pines Center - accordance with BJJ policy changes is severely limiting off-campus activities (community-based treatment activities) as part of the change of BPC to a secure facility.	Policies and SOPs are being re-written to match BJJ policies that require additional supervisory staffing for these off-campus activities. However, because there are not supervisory staff available to participate in the off-campus activities, there will be a severe reduction to off-campus activities.	Actual FY 2009 savings are estimated as an average reduction of five off-campus activities per week. On average, only three of these off-campus activities incur overtime at an average of three hours per trip. Therefore, savings are estimated as 52 weeks x nine hours x youth specialist OT rate: $52 \times 9 \times 36.80 = \$17,222.40$.	The estimated savings of \$17,222.40 should be realized annually at the cost of community-based treatment activities.
Shawono Center - Review by Shawono Center administration.	Shawono Center and Nokomis Challenge Center agree to share a clinical social worker for education. Shawono Center and Nokomis Challenge Center negotiate new contract with psychiatrist. Established janitorial classes for residents.	Reduction in compensation for social worker: \$24,000 per year. Reduction in medical care costs. Saves the facility from a full-time employee position.	\$24,000 annually. Anticipated reduction of \$48,000.00/year. Projected savings of \$34,000 annual.

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<p>Federal Grants Unit (FGU) - In accordance with the Juvenile Justice Delinquency Prevention Act of 2002, Sections 223 (a) (11), (12), and (13), the state must report data collected showing compliance with the removal of status offenders and non-offenders from secure detention and correctional facilities, separation of juveniles and adults, and removal of juveniles from adult jails and lockups.</p> <p>Review involves surveying staff and customers to find where services are duplicated, time-consuming or unnecessary.</p>	<p>Automated the monthly juvenile detentions, jails and lock-up reporting forms.</p>	<p>Time spent by agencies completing forms, e-mailing, faxing, and/or mailing would be lessened.</p> <p>Easier (agency and FGU manager) access to forms due to central location.</p> <p>Allows for more accurate reporting.</p> <p>Allows for early identification of violations in order to provide appropriate technical assistance.</p> <p>Manager can identify technical assistance needs faster.</p>	<p>1. Total savings \$ 50-\$100,000.</p> <p>2. \$2,000/year.</p> <p>3. \$8,000/year.</p> <p>4. Average year sees 10-20 new in-home care components. Usually cost savings of \$50,000 per program according to court reports (total \$500,000 to \$1 million). Hard to know how much is a result of added specialist knowledge.</p>

Office: Children's Trust Fund

Program Review Process	Improvement Mechanisms Implemented	Actual Savings	Projected Savings
Inventory Control.	Inventory database in Access established for audit controls on sales of kid store items. Allows for quicker reporting and reconciliation.	Not available.	Not available.
EGrAMS.	EGrAMS web-based system for entire grant life cycle process. Leads to paper reduction costs and reduces delays from mail time for obtaining reports and signatures. Contract development time reduced because of electronic access to information.	Not available.	Not available.

Office: Federal Compliance Unit

Program Review Process	Improvement Mechanisms Implemented	Actual Savings	Projected Savings
Determination of Title IV-E eligibility for foster care wards.	<ol style="list-style-type: none"> 1. Child welfare funding specialists (CWFS) hired and trained. 2. Local office CWFS procedures developed. 3. Tracking report developed for monthly reporting. 4. Training for courts and Wayne County offered. 	None determined.	\$3 million to \$12 million during on-site federal review – 2010.
Review of funding determinations for foster children being paid with State Ward Board and Care when placed with relatives.	<ol style="list-style-type: none"> 1. Identification of state wards who are in licensed relative care where Title IV-E payments could be made rather than SWBC or other funding source 2. Preparation of materials for Field Operations Administration to change SWSS payments. 3. Review for retro-active Title IV-E claim up to seven quarters. 	No total dollar amount determined yet. The Compliance Office review resulted in 55-plus potential cases to be corrected. Follow-up is in progress.	
Recalculation of the Title IV-E penetration rate.	<ol style="list-style-type: none"> 1. Submitted a work request to modify how the Title IV-E penetration rate is calculated from the data warehouse reports. 2. Terri Gilbert authorized the work request as a priority one (the DIT estimate is 40-hours). 	Dollar amount can be projected once the automated warehouse report is reconfigured. We expect a several point increase in the penetration rate. For each one point increase, the state realizes approximately \$1 million in maintenance claims and \$800,000 in administrative dollars.	

Office: Field Operations Administration – Staffing Standards & Allocation (SSAS) Work Measurement Process

Program Review Process	Improvement Mechanisms Implemented	Actual Savings	Projected Savings
<p>SSAS conducts time studies of first line field & services staff in order to substantiate the department's claims to the federal government for reimbursement from the various federal funding sources (e.g., TANF, Title IV-E, Title XIX, etc) of approximately \$600 million annually.</p> <p>This process is currently done by a staff of data collectors who travel to offices around the state to conduct random moment studies that are carried out within strict statistical standards determined by the federal government.</p> <p>This process is very accurate but also very expensive. In addition, absences of any data collectors for any length of time can risk penalties should the data be audited and the statistical standards not be met. These absences can be due to such things as medical leaves, travel and weather issues, annual leave usage, etc.</p> <p>The process is currently being handled by a staff of four, but, in order to insure that the statistical standards are being met, there should be five staff.</p>	<p>The decision was made to investigate options for automating the random moment study.</p> <p>After going through the state's bidding process, a contract was entered in October 2008 with Interactive Voice Applications (IVA) to develop a web-based, email random moment sampling process.</p> <p>This process is scheduled to begin in January 2009.</p> <p>If we had not pursued automation we would have had to add a data collector at an additional annual cost of \$107,064 in order to meet federal standards.</p>	<p>Projected for CY2009.</p>	<p>Cost at optimal staffing: \$435,322 – staff costs <u>100,000</u> – travel \$535,322 – Total optimal.</p> <p>Cost at current staffing: \$348,257 – staff costs <u>80,000</u> – travel \$428,257 – Total actual.</p> <p>Projected cost: \$261,193 – staff costs 0 – travel <u>40,000</u> –annual automation \$301,193 – Total projected.</p> <p>Savings: If staffed appropriately – \$234,129 At current staffing – \$127,064.</p>

Office: Bureau of Community Action and Economic Opportunity

Program Review Process	Improvement Mechanisms Implemented	Actual Savings	Projected Savings
Distribution of policy manual updates to our 30 Community Action Agency and two Limited Purpose Agency partners.	We have moved from paper distribution of manual items to 32 agencies to a fully electronic process. Several staff now have capacity to produce PDF files and we are utilizing a scanner to scan in signed transmittal memos so all policy update items can be e-mailed to our partner agencies. We also maintain an electronic copy of the full manual on our Web site.	\$2,175 annual savings (estimate for 2008).	We have at least five standard policy updates per year costing approximately \$385 per update for rapid copy expenses. We estimate an additional \$250 total in postage savings from those five orders.

Office: Equal Opportunity and Diversity

Program Review Process	Improvement Mechanisms Implemented	Actual Savings	Projected Savings
Disability Advocacy.	<ul style="list-style-type: none">• Created disability complaint form for all Michigan citizens.• Created a client reasonable accommodation request form.• Creating a DHS publication explaining the rights of clients under the ADA.	No calculated savings to date.	These improvements will bring the department into compliance with federal and state law. Savings will be realized in decreased complaints and lawsuits.

Office: **Interagency and Community Services**

Program Review Process	Improvement Mechanisms Implemented	Actual Savings	Projected Savings
Meeting between Office of Refugee Services and Field Operations.	Refugee Services will use 100 percent federal funds to pay for a total of three ES positions for Macomb and Oakland DHS.	General fund dollars for three ES positions.	\$40,500.

Office: Bureau of Children and Adult Licensing

Program Review Process	Improvement Mechanisms Implemented	Actual Savings	Projected Savings
Forms and publications cost analysis.	Placing forms and publications as well as developing access to business processes (original application packets and online complaint filing) via the Web.	Forms and publication costs, (printing, storage and shipping) for BCAL has been as follows: FY2006- \$161,468. FY2007-\$147,363. FY2008-\$130,714.	By converting from a paper process to an online process for renewal applications as well as child placing agency investigation reporting, BCAL should realize an additional savings that cannot be quantified at this time.

Child Development and Care

The department is implementing the “Seven Initiatives for Childcare Reform” that include more checks and balances, internal controls and reductions in improper payments through verification of payments, increased client eligibility reviews, case reviews, time and attendance audits, and data matches. These initiatives take advantage of technology to reduce the risk of improper payments.

Conduct Comprehensive Background Checks

Since April 2007 we have required comprehensive background checks for all unregulated/unlicensed (enrolled) providers **prior to enrollment**. This comprehensive check includes the use of four databases (ICHAT – for any criminal history; OTIS – for incarceration and parole information; PSOR – for public sex offender registry information; NPSOR – for national sex offender registry information) along with CR – child abuse and neglect. In addition to the pre-enrollment background checks we are also conducting weekly CR checks and monthly automated checks (ICHAT, OTIS, and PSOR). In August of 2008 we also added a pre enrollment check of the Federal Inmate Locator (FIL - convicted of a federal crime or a federal inmate).

In addition, beginning November 2008 we are now including inactive providers in the monthly tape matches to ensure that any inactive provider who has committed a crime is no longer allowed to provide care.

Improve Payment and Billing Verification to Strengthen Internal Controls and Reduce Fraud

Effective **April 2009** we will implement modifications to the Interactive Voice Response (IVR) system and to the Web-based billing system (I-billing) to match client needs to provider billing on a bi-weekly basis

Providers will report daily hours of care per child. Clients will report daily need hours per pay period and total hours of child care needed per pay period.

The department will have a CDC Reconciliation Unit that will review information entered by the client and provider prior to making payments for actual hours of care with the goal of reducing the risk for improper payments. For four months we will study the entries and evaluate entries and data received. No payments will be impacted for these four months but discrepancies will be followed up on and evaluated for actions.

Review High-Risk Child Day Care Cases

Allows us to look at case files from local offices to identify improper payments and non-compliance by identifying errors and correcting cases. Review process will include creation of corrective action plans and follow up reviews for monitoring the implementation of the corrective action plan.

Two hundred and fourteen (214) cases were reviewed in three pilot sites and 50 providers were disenrolled for not providing requested time and attendance information.

During this fiscal year we have reviewed an additional 200 cases that are currently being corrected. Our goal is to review a minimum of 2,400 cases.

Investigate Improper Payment Cases and Seek Prosecution

Data mining queries developed by Office of Inspector General (OIG) to identify financial “high risk” CDC providers remain ongoing. OIG identified slightly over 800 cases using our data mining queries in FY2008.

For FY2008, 914 cases involving providers and clients were referred to the prosecutor with a value of \$9.1 million.

Audit Provider Time and Attendance Records

Since March 2007 we have audited **2,548** day care aide and relative care providers to determine if they have maintained required attendance records that verify billings submitted to the department. We have **terminated 1,063** (42 percent) providers for not responding to our request for records.

Reviews are ongoing.

Terminate Inactive Clients and Providers to Prevent Improper Billing

In **July 2008** we implemented new policy that generates automatic case closures (for both clients and providers) to reduce the risk of billings for cases that may no longer be eligible for the child day care subsidy.

Client cases are now automatically terminated after four inactive pay periods.

- In July 8,682 cases were closed.
- In August 2,472 cases were closed.
- In September 2,311 cases were closed.
- In October 3,019 cases were closed.
- TOTAL: **16,484.**

Provider authorizations are now automatically terminated after four months with no billing activity.

- In July 7,375 cases were closed.
- In August 2,299 cases were closed.
- In September 2,204 cases were closed.
- In October 3,048 cases were closed.
- TOTAL: **14,926.**

Comprehensive Child Day Care Reform Package

DHS supports the CDC bill package that has been passed by the House and will continue to work with the Senate to get the bills passed.